

Message Text

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ACTION EB-07

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L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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INFO AMEMBASSY BRASILIA

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E.O. 11652: N/A

TAGS: GATT, ETRD, BR

SUBJ: BRAZILIAN INCREASE IN BOUND IMPORT DUTIES

REF: BRASILIA 3887

BEGIN SUMMARY. BRAZIL IS NOTIFYING IMPAIRMENT OF BOUND CONCESSIONS, IS LIKELY EVENTUALLY SEEK WAIVER TO NEGOTIATE LESS-THAN-FULL COMPENSATION. END SUMMARY.

1. JULY 11 GATT COUNCIL MAY TAKE UP IMPENDING BRAZILIAN NOTIFICATION OF INCREASE IN IMPORT TARIFFS AFFECTING SEVERAL BOUND ITEMS. BRAZILIAN MISSION (BIER) REPORTS NOTIFICATION UNDER PREPARATION AFFECTS UREA, FUNGICIDES, WEED KILLERS, FILM, AIRCRAFT ENGINES, AND ADDITIONAL MACHINERY, CHEMICAL AND PETROCHEMICAL ITEMS. IMPAIRMENT OF BOUND RATES ALREADY IN EFFECT. PRINCIPAL COUNTRIES AFFECTED ARE U.S., E.C., JAPAN, SWEDEN.

2. BRAZIL MISSION SAID THEY HOPE SIMPLY MENTION THE NOTIFI-
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CATION UNDER "OTHER BUSINESS" AT JULY 11 COUNCIL AND ADDRESS

MATTER MORE FULLY DURING FIRST COUNCIL MEETING IN FALL. WE NOTED WAIVER WOULD BE REQUIRED UNLESS BRAZIL PREPARED RESTORE BOUND RATES UNTIL TIME ART. XXVIII COMPENSATION IS NEGOTIATED AND PLACED INTO EFFECT. BRAZILIAN MISSION HAS NO INSTRUCTIONS SEEK WAIVER AS YET AND SAYS IT UNREALISTIC EXPECT RESTORATION OF BOUND RATES. THEY HOPE HAVE WAIVER-SEEKING AUTHORITY BY NEXT (FALL) COUNCIL; THEY PLAN SEEK INCLUSION OF REFERNECE TO PART IV, ART. XXXVI:8 ON NON-RECIPROCITY.

3. WE SAID U.S. HAD GENERALLY ENDORSED CONCEPT OF LESS THAN FULL RECIPROCITY IN NEGOTIATIONS BASED ON LDC TRADE, FINANCIAL, AND DEVELOPMENT NEEDS, BUT ART. XXVIII INVOLVES RE-NEGOTIATION. BRAZIL NOTED THEIR 1968 WAIVER CONTAINED ART. XXXVI:8 REFERENCE, AS DID INDONESIA'S RECENT (1973) WAIVER, L/3955. WE SAID U.S. WOULD STILL HAVE DIFFICULTY WITH CONCEPT OF DOUBLE APPLICATION OF LESS THAN FULL RECIPROCITY: ONCE DURING NEGOTIATION AND AGAIN DURING RE-NEGOTIATION. WE SAID PROBLEM WAS A PRAGMATIC ONE; IT WOULD BE DIFFICULT VISUALIZE HOW BRAZIL AND OTHER LDCS COULD NEGOTIATE FUTURE CONCESSIONS FROM THE U.S. IF WE BECAME CONVINCED THAT PAYMENT MIGHT BE FURTHER DILUTED IN SUCCESSIVE RE-NEGOTIATIONS.

4. AT JULY 11 COUNCIL WE RECOMMED U.S. RESPOND TO BRAZILIAN ANNOUNCEMENT BY SAYING GATT REQUIRES NEGOTIATION FO COMPENSATION PRIOR TO WITHDRAWAL OF BOUND RATES AND IN ABSENCE OF ART. XXV WAIVER BY CPS WE WOULD EXPECT BOUND RATES TO BE RESTORED. WE SHOULD SAY U.S. WOULD, ALTERNATIVELY, BE PREPARED SUPPORT WAIVER TO END 1975 IF BRAZIL AGREES GIVE PRIORITY TO NEGOTIATION OF COMPENSATION.

5. RE INCLUSION REFERENCE TO PART IV IN ANY EVENTUAL WAIVER (PERHAPS AT A LATER COUNCI), BELIEVE PRECEDENT HAS ALREADY BEEN ESTABLISHED BY PREVIOUS WAIVERS FOR LDCS (PARA 3 ABOVE). WHEN ISSUE ARISES, WE MAY WISH SIMPLY STATE OUR UNILATERAL RESERVATIONS THEN.

6. COMMENT: OUR JOB HERE IS TO HUFF OURSELVES UP TO APPEAR BIGGER THAN WE REALLY ARE. BRAZILIANS ARE WELL LIMITED OFFICIAL USE

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AWARE THAT IN THEIR LAST ART. XXVIII SETTLEMENT WITH THE U.S.--LARGELY UNPROMULGATED--THEY WERE MORE FORTHCOMING THAN OTHER LDCS HAVE BEEN. THEY'RE ALSO KEENLY AWARE THAT COUNCIL IS LIKELY TO GIVE THEM AS MANY WAIVER EXTENSIONS AS THEY WANT. WILL FORWARD BRAZILIAN NOTIFICATION WHEN CIRCULATED.DALE

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